

NORTHERN POWERGRID HOLDINGS COMPANY

HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2019

INTERIM MANAGEMENT REPORT

Cautionary Statement

This interim management report has been prepared solely to provide additional information to shareholders to assess the business of Northern Powergrid Holdings Company (the “Company”) and its subsidiaries (together the “Group”) and should not be relied on by any other party or for any other purpose.

Business Model

The Company’s main subsidiary companies are Northern Powergrid (Northeast) Limited and Northern Powergrid (Yorkshire) plc (together “Northern Powergrid”), Integrated Utility Services Limited (“IUS”), CalEnergy Resources Limited (“CE Resources”) and Northern Powergrid Metering Limited (“Metering”).

Northern Powergrid (Northeast) Limited and Northern Powergrid (Yorkshire) plc are distribution network operators (“DNOs”) and distribute electricity to approximately 3.9 million customers connected to their electricity distribution networks, IUS provides engineering contracting services, CE Resources holds interests in hydrocarbon permits in Australia, Poland and the United Kingdom and Metering rents meters to energy suppliers.

Results for the six months ended 30 June 2019

The Group delivered a satisfactory performance for the six months ended 30 June 2019, profit after tax increased by £6.4 million when compared to the previous year mainly as a result of higher revenues and lower income tax offset by higher depreciation and other operating costs.

Revenue

Revenue at £417.3 million was £15.0 million higher than for the six months ended 30 June 2018 mainly due to higher smart meter rental revenue and distribution revenue.

Cash flow

Cash and cash equivalents as at 30 June 2019 were £74.9 million, representing an increase of £44.5 million when compared with the position at 31 December 2018.

The Group has access to £150 million under a committed revolving credit facility provided by Lloyds Bank plc, Royal Bank of Scotland plc and Abbey National Treasury Services plc, which is due to expire on 30 April 2020.

In addition, companies in the Group have access to a £42 million overdraft facility provided by Lloyds Bank plc.

Dividends

No dividends were paid during the period resulting in £123.2 million being transferred to reserves.

Related party transactions

Details of the related party transactions entered into by companies in the Group and changes therein are included in Note 8 to this half-yearly financial report.

Principal risks and uncertainties

Information on the principal long-term risks and uncertainties and the internal control system are included in the Group’s latest annual reports and accounts for the year to 31 December 2018, which is available at www.northernpowergrid.com.

It is anticipated that these risks will continue to be the principal risks facing the business for the remaining six months of 2019.

Going concern

In the Group's latest annual reports and accounts for the year to 31 December 2018 the directors set out a number of factors they took into account when they considered continuing to adopt the going concern basis in preparing those annual reports and accounts. The directors confirm that no events have occurred during the six months to 30 June 2019, which alter the view expressed in the annual reports and accounts to 31 December 2018.

Future strategy and objectives

The Company will continue to develop its business as a holding company in a manner that concentrates on the Group's principal activities of electricity distribution, engineering contracting, hydrocarbon exploration and the rental of meters to energy suppliers.

Responsibility Statement

The board of directors confirm that to the best of their knowledge:

- (a) the condensed set of financial statements, which has been prepared in accordance with IAS 34, gives a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole for the six months to 30 June 2019; and
- (b) the interim management report contains a fair review of the important events that have occurred during the first six months of the year and their impact, if any, on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year.

By order of the board

P A Jones
Director

5 September 2019

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS - SIX MONTHS
ENDED 30 JUNE 2019**

	6 Months ended 30 June 2019 (unaudited) £m	6 Months ended 30 June 2018 (unaudited) £m
Revenue	417.3	402.3
Cost of sales	<u>(26.0)</u>	<u>(22.2)</u>
Gross profit	391.3	380.1
Operating expenses	<u>(204.6)</u>	<u>(196.7)</u>
Operating profit	186.7	183.4
Other gains	0.4	-
Finance income	0.5	0.4
Finance costs	<u>(53.0)</u>	<u>(52.3)</u>
Profit before tax	134.6	131.5
Income tax expense	<u>(25.7)</u>	<u>(29.0)</u>
Profit from ordinary activities after tax	<u>108.9</u>	<u>102.5</u>
Owners of the parent	107.8	101.4
Non-controlling interests	<u>1.1</u>	<u>1.1</u>
	<u>108.9</u>	<u>102.5</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS - SIX MONTHS
ENDED 30 JUNE 2019**

	6 Months ended 30 June 2019 Unaudited £m	6 Months ended 30 June 2018 Unaudited £m
PROFIT FOR THE PERIOD	108.9	102.5
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Employee benefit obligation	19.5	5.8
Income tax relating to items of other comprehensive income	(3.3)	(0.9)
	<u>16.2</u>	<u>4.9</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	-	(0.1)
Cash flow hedge	(2.1)	1.5
Income tax relating to items of other comprehensive income	0.2	(0.2)
	<u>(1.9)</u>	<u>1.2</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>14.3</u>	<u>6.1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>123.2</u>	<u>108.6</u>
Owners of the parent	122.1	107.5
Non-controlling interests	<u>1.1</u>	<u>1.1</u>
	<u>123.2</u>	<u>108.6</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SIX MONTHS ENDED 30 JUNE 2019

	30 June 2019	31 December 2018
	Unaudited £m	£m
ASSETS		
NON-CURRENT ASSETS		
Goodwill	248.8	248.8
Intangible assets	58.7	56.3
Property, plant and equipment	6,142.3	6,044.0
Right of use assets	18.0	-
Investments	27.1	24.4
Derivative asset	-	0.6
Pension asset	116.4	84.6
Tax receivable	0.6	0.8
Trade and other receivables	5.6	6.9
	<u>6,617.5</u>	<u>6,466.4</u>
CURRENT ASSETS		
Inventories	18.1	14.4
Trade and other receivables	139.1	147.3
Contract assets	6.9	6.0
Derivative asset	-	0.1
Tax receivables	0.1	0.1
Cash and cash equivalents	74.9	30.4
Restricted cash	13.8	13.8
	<u>252.9</u>	<u>212.1</u>
TOTAL ASSETS	<u>6,870.4</u>	<u>6,678.5</u>
EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	354.6	354.6
Share premium account	(0.8)	(0.8)
Hedging reserves	(1.1)	0.8
Foreign exchange reserves	(2.4)	(2.4)
Retained earnings	2,291.8	2,167.8
	<u>2,642.1</u>	<u>2,520.0</u>
Non Controlling Interest	<u>35.9</u>	<u>34.8</u>
TOTAL EQUITY	<u>2,678.0</u>	<u>2,554.8</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SIX MONTHS ENDED 30 JUNE 2019

	30 June 2019	31 December 2018
	Unaudited £m	£m
LIABILITIES		
NON-CURRENT LIABILITIES		
Deferred revenue	1,401.8	1,393.9
Borrowings	1,908.9	2,016.5
Lease liabilities	14.6	-
Deferred tax	238.3	239.0
Derivative liability	1.1	-
Provisions	3.1	3.2
	<u>3,567.8</u>	<u>3,652.6</u>
CURRENT LIABILITIES		
Trade and other payables	218.9	218.2
Deferred revenue	56.3	54.9
Borrowings	319.6	172.9
Lease liabilities	4.4	-
Derivative liability	0.3	-
Tax payable	21.2	21.0
Provisions	3.9	4.1
	<u>624.6</u>	<u>471.1</u>
TOTAL LIABILITIES	<u>4,192.4</u>	<u>4,123.7</u>
TOTAL EQUITY AND LIABILITIES	<u>6,870.4</u>	<u>6,678.5</u>

The interim financial statements were approved by the board of directors and authorised for issue on 5 September 2019 and were signed on its behalf by:

P A Jones
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - SIX MONTHS ENDED 30 JUNE 2019

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2019	354.6	(0.8)	(1.6)	2,167.8	2,520.0
Profit for the period (unaudited)	-	-	-	107.8	107.8
Other comprehensive income (unaudited)	-	-	(1.9)	16.2	14.3
Foreign exchange translation adjustment	-	-	-	-	-
Balance at 30 June 2019	<u>354.6</u>	<u>(0.8)</u>	<u>(3.5)</u>	<u>2,291.8</u>	<u>2,642.1</u>
				Non- Controlling Interests £m	Total Equity £m
Balance at 1 January 2019				34.8	2,554.8
Profit for the period (unaudited)				1.1	108.9
Other comprehensive income (unaudited)				-	14.3
Foreign exchange translation adjustment				-	-
Balance at 30 June 2019				<u>35.9</u>	<u>2,678.0</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - SIX MONTHS ENDED 30 JUNE 2018 (CONTINUED)

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2018	354.6	(0.8)	(2.5)	2,019.4	2,370.7
Profit for the period (unaudited)	-	-	-	101.4	101.4
Other comprehensive income (unaudited)	-	-	1.3	4.9	6.2
Foreign exchange translation adjustment			(0.1)	-	(0.1)
Balance at 30 June 2018	<u>354.6</u>	<u>(0.8)</u>	<u>(1.3)</u>	<u>2,125.7</u>	<u>2,478.2</u>

	Non- Controlling Interests £m	Total Equity £m
Balance at 1 January 2018	32.8	2,403.5
Profit for the period (unaudited)	1.1	102.5
Other comprehensive income (unaudited)	-	6.2
Foreign exchange translation adjustment	-	(0.1)
Balance at 30 June 2018	<u>33.9</u>	<u>2,512.1</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - SIX MONTHS ENDED 30 JUNE 2018 (CONTINUED)

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2018	354.6	(0.8)	(2.5)	2,019.4	2,370.7
Profit for the year	-	-	-	197.9	197.9
Other comprehensive income	-	-	1.1	(49.5)	(48.4)
Dividends paid	-	-	-	-	-
Equity dividends paid	-	-	-	-	-
Foreign exchange translation adjustment	-	-	(0.2)	-	(0.2)
Balance at 31 December 2018	354.6	(0.8)	(1.6)	2,167.8	2,520.0

	Non- Controlling Interests £m	Total Equity £m
Balance at 1 January 2018	32.8	2,403.5
Profit for the year	2.0	199.9
Other comprehensive income	-	(48.4)
Equity dividends paid	-	-
Foreign exchange translation adjustment	-	(0.2)
Balance at 31 December 2018	34.8	2,554.8

CONSOLIDATED CASH FLOW STATEMENT

	6 Months ended 30 June 2019 Unaudited £m	6 Months ended 30 June 2018 Unaudited £m
Cash flows from operating activities		
Profit for the year	108.9	102.5
Depreciation and amortisation	123.5	118.2
Amortisation of deferred revenue	(27.5)	(26.6)
Profit on disposal of property, plant & equipment	(0.4)	-
Retirement benefit obligation	(14.3)	(15.5)
Finance income	(0.5)	(0.4)
Finance costs	53.0	52.3
Income tax expense	25.7	29.0
	<u>268.4</u>	<u>259.5</u>
(Increase)/decrease in inventories	(3.7)	1.4
Decrease in trade and other receivables	6.7	21.3
(Increase)/decrease in contract assets	(0.9)	3.0
Increase in trade and other payables	0.7	2.9
Increase in provisions	0.3	-
	<u>271.5</u>	<u>288.1</u>
Cash inflow from operating activities		
Net interest paid	(48.4)	(50.1)
Tax paid	(22.9)	(23.8)
	<u>200.2</u>	<u>214.2</u>
Investing activities		
Proceeds from disposal of property, plant and equipment	0.4	-
Purchase of property, plant and equipment	(220.2)	(254.8)
Purchase of intangible assets	(7.3)	(5.4)
Investment in associate	(0.4)	-
Receipt of customer contributions	36.8	35.3
	<u>(190.7)</u>	<u>(224.9)</u>
Financing activities		
Issue of long-term borrowings	147.4	-
Repayment of long-term borrowings	(52.7)	-
Movement of short-term borrowings	(59.7)	0.3
Movement in restricted cash	-	(11.7)
	<u>35.0</u>	<u>(11.4)</u>
Net cash generated by/(used in) financing activities		
Foreign exchange differences	-	(0.2)
Net increase/(decrease) in cash and cash equivalents	44.5	(22.3)
Cash and cash equivalents at beginning of period	<u>30.4</u>	<u>40.4</u>
Cash and cash equivalents at end of period	<u><u>74.9</u></u>	<u><u>18.1</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The information included within these condensed financial statements for the year ended 31 December 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor reported on those accounts and that report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. ACCOUNTING POLICIES

Basis of preparation

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Going concern

In the Group's latest annual reports and accounts for the year to 31 December 2018 the directors set out a number of factors they took into account when they considered continuing to adopt the going concern basis in preparing those annual reports and accounts. The directors confirm that no events have occurred during the six months to 30 June 2019, which alter the view expressed in the annual reports and accounts to 31 December 2018.

Changes in accounting policy

The Company's accounting policies and methods of computation are the same as the accounting policies which are described in the Company's financial statements for the year ended 31 December 2018, with the only changes being outlined below.

Application of new and revised IFRS

In the current year, the company has a number of amendments to IFRS by the International Accounting standards Board ("IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019:

IFRS 16 - Leases

IFRS 16 supersedes the current lease guidance including IAS 17 Leases and the related interpretations. IFRS 16 distinguishes between leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions between operating leases and finance leases are removed for lessee accounting, and is replaced by a model where right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short term leases and leases of low-value assets.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.48%.

The group did not have any leases previously classified as finance leases.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

The recognition of right of use assets relate to the following types of assets:

	30 June 2019 £m	1 January 2019 £m
Fleet vehicles	14.7	12.2
Properties	<u>3.3</u>	<u>4.0</u>
Right of use assets	<u>18.0</u>	<u>16.2</u>

The lease liability recognised as at 1 January 2019 is as follows:

	1 January 2019 £m
Operating lease commitments as at 31 December 2018	26.2
Discounted using the lessee's incremental cost of borrowing	23.0
Less short-term leases recognised on a straight-line basis	<u>(6.8)</u>
Lease liability recognised as at 1 January 2019	16.2
Of which:	
Current lease liabilities	3.8
Non-current lease liabilities	<u>12.4</u>

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

None of the other standards, interpretations and amendments which are effective for periods beginning 1 January 2019 has had a material effect on the financial statements:

- Amendments to IAS 28 - Long-term interests in associates and joint ventures;
- Amendments to IAS 19 - Plan amendment, curtailment or settlement; and
- Annual improvements to IFRS 2015-2017 cycle.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENTAL ANALYSIS

The Group operates in the principal area of activity of the distribution of electricity in the United Kingdom.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

The following is an analysis of the Group's revenue and results by reportable segment in the six months ended 30 June 2019 (unaudited):

	Distribution £m	Other £m	Total £m
REVENUE			
External sales	369.5	47.8	417.3
Inter-segment sales	0.1	(0.1)	-
Total Revenue	<u>369.6</u>	<u>47.7</u>	<u>417.3</u>
SEGMENT RESULTS			
Operating profit	<u>159.4</u>	<u>27.3</u>	186.7
Other gains			0.4
Finance income			0.5
Finance costs			<u>(53.0)</u>
Profit before tax			<u>134.6</u>
OTHER INFORMATION			
Capital additions	212.6	14.0	226.6
Depreciation and amortisation	101.2	22.3	123.5
Amortisation of deferred revenue	<u>(27.5)</u>	<u>-</u>	<u>(27.5)</u>

External sales to RWE Npower plc in the six months ended 30 June 2019 represented 18.13% of revenue within the Distribution segment.

External sales to British Gas Ltd in the six months ended 30 June 2019 represented 12.01% of revenue within the Distribution segment.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENTAL ANALYSIS (CONTINUED)

The following is an analysis of the Group's revenue and results by reportable segment in the six months ended 30 June 2018 (unaudited):

	Distribution £m	Other £m	Total £m
REVENUE			
External sales	362.5	39.8	402.3
Inter-segment sales	0.6	(0.6)	-
Total Revenue	<u>363.1</u>	<u>39.2</u>	<u>402.3</u>
SEGMENT RESULTS			
Operating profit	<u>164.0</u>	<u>19.4</u>	183.4
Other gains			-
Finance income			0.4
Finance costs			<u>(52.3)</u>
Profit before tax			<u>131.5</u>
OTHER INFORMATION			
Capital additions	187.7	49.5	237.2
Depreciation and amortisation	98.5	19.7	118.2
Amortisation of deferred revenue	<u>(26.6)</u>	<u>-</u>	<u>(26.6)</u>

External sales to RWE Npower plc in the six months ended 30 June 2018 represented 21.44% of revenue within the Distribution segment.

External sales to British Gas Ltd in the six months ended 30 June 2018 represented 15.51% of revenue within the Distribution segment.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENTAL ANALYSIS (CONTINUED)

The accounting policies of the reportable segments are the same as the Group's accounting policies which are described in the Group's latest annual financial statements. The segment results represent the profit earned by each segment without allocation of the share of profits of joint ventures, associates, finance income and finance costs and income tax expense

Segment net assets	30 June 2019 Unaudited £m	31 December 2018 £m
Distribution	4,144.3	3,899.9
Other	<u>438.0</u>	<u>387.6</u>
Total net assets by segment	4,582.3	4,287.5
Unallocated net corporate liabilities	<u>(1,904.3)</u>	<u>(1,732.7)</u>
Total net assets	<u><u>2,678.0</u></u>	<u><u>2,554.8</u></u>

Unallocated net corporate liabilities include cash and cash equivalents of £74.9 million (December 2018: £2.3 million), borrowings of £2,078.8 million (December 2018: £1,930.3 million), retirement benefit asset of £116.4 million (December 2018: £84.6 million), and taxation of £258.8 million (December 2018: £264.5 million).

“Other” comprises engineering contracting, hydrocarbon exploration, smart meter rental and business support units.

Sales and purchases between the different segments are made at commercial prices.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. INCOME TAX EXPENSE

Tax for the six month period ended 30 June 2019 is charged at 19.09% (six months ended 30 June 2018: 22.05%), which represents the best estimate of the average annual effective tax rate expected for the full year, as applied to the pre-tax income of the six month period.

	6 months ended 30 June 2019 Unaudited £m	6 months ended 30 June 2018 Unaudited £m
Current tax	23.1	26.4
Deferred tax	<u>2.6</u>	<u>2.6</u>
Total income tax expense	<u>25.7</u>	<u>29.0</u>

The Finance No2 Act 2015 reduced the rate of corporation tax to 19% effective from 1 April 2018 and to 18% effective from 1 April 2020. The Finance Act 2016, which was substantively enacted on 6 September, 2016 further reduced the rate of corporation tax effective from 1 April 2020 to 17%. Accordingly deferred tax assets and liabilities have been calculated at the tax rates which will be in force when the underlying temporary differences are expected to reverse.

5. DIVIDENDS

No dividends were distributed to the shareholders in the six month period ended 30 June 2019 (six months ended 30 June 2018: £nil)

6. RETIREMENT BENEFIT SCHEMES

The defined benefit obligation as at 30 June 2019 is calculated on a year-to-date basis, using the annual actuarial valuation as at 31 December 2018. The triennial valuation as at 31 March 2016 was finalised in September 2018. There have not been any significant fluctuations or one-time events since that time that would require adjustment to the actuarial assumptions made at June 2019.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

7. FINANCIAL INSTRUMENTS

Except as detailed in the following table, the directors consider that the carrying value amounts of financial assets and financial liabilities are approximately equal to their fair values:

	Carrying value		Fair value	
	30 June 2019 Unaudited £m	31 December 2018 £m	30 June 2019 Unaudited £m	31 December 2018 £m
Financial liabilities				
Short-term loans	0.4	60.2	0.4	60.2
Bond 2020 – 8.875% (Northern Electric Finance plc)	106.1	101.5	115.8	114.4
Bond 2020 – 9.25% (Northern Powergrid (Yorkshire) plc)	210.1	221.1	208.4	233.2
Bond 2022 – 7.25% (Northern Powergrid Holdings Company)	205.3	197.7	246.8	189.0
Bond 2025 – 2.5% (Northern Powergrid (Yorkshire) plc)	149.2	151.0	157.5	155.2
Amortised loan 2026 – 2.74% (Northern Powergrid Metering Ltd)	172.3	185.1	175.8	185.1
Bond 2028 – 7.25% (Yorkshire Power Finance Limited)	200.7	194.7	277.0	263.2
Bond 2032 4.375% (Northern Powergrid (Yorkshire) plc)	154.1	150.7	192.7	179.1
Bond 2035 – 5.125% (Northern Electric Finance plc)	149.4	153.1	205.9	197.1
Bond 2035 – 5.125% (Northern Powergrid (Yorkshire) plc)	198.4	204.1	274.6	262.9
Bond 2049 – 2.750% (Northern Electric Finance plc)	147.8	-	156.2	-
EIB loans 2019-2020*	39.7	82.0	39.7	93.3
EIB loans 2022 – 4.133%	156.8	153.7	169.2	168.2
EIB loans 2027 – 2.564%	253.5	250.3	268.8	264.1
EIB loans 2025 – 2.073%	50.6	50.1	51.7	49.6
Cumulative preference shares	34.1	34.1	49.1	47.6
	<u>2,228.5</u>	<u>2,189.4</u>	<u>2,589.6</u>	<u>2,462.2</u>

* The borrowings from the European Investment Bank were drawn down in twelve tranches, repayable in 2019 and 2020. The interest rates shown are average rates for those repayment dates. The spread of interest rates is as follows:

2019: 4.077% - 4.455%

2020: 4.227% - 4.586%

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

8. RELATED PARTY TRANSACTIONS

Group

Transactions entered into with related parties and balances outstanding were as follows:

	Sales to related parties £m	Purchases from related parties £m	Amounts owed to related parties £m	Dividends from/(to) related parties £m
Related party				
<i>Six months ended 30 June</i>				
<i>2019:</i>				
Immediate Parent Companies*	-	-	10.8	-
Vehicle Lease and Service Limited	-	4.8	-	-
	<u>-</u>	<u>4.8</u>	<u>10.8</u>	<u>-</u>
<i>Six months ended 30 June</i>				
<i>2018:</i>				
Immediate Parent Companies*	-	-	10.6	-
Vehicle Lease and Service Limited	-	4.9	0.5	-
	<u>-</u>	<u>4.9</u>	<u>11.1</u>	<u>-</u>
<i>Year ended 31 December</i>				
<i>2018:</i>				
Immediate Parent Companies*	-	-	14.9	-
Vehicle Lease and Service Limited	-	9.0	0.1	0.7
	<u>-</u>	<u>9.0</u>	<u>15.0</u>	<u>0.7</u>

Sales and purchases from related parties were made at commercial prices.

Interest on loans from Group companies is charged at a commercial rate.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

8. RELATED PARTY TRANSACTIONS (CONTINUED)

Company

Transactions entered into with related parties and balances outstanding were as follows:

	Borrowings to/(from) related parties £m	Interest from/(to) related parties £m	Dividends from/(to) related parties £m
Related party			
<i>Six months ended 30 June 2019:</i>			
Immediate Parent Companies*	(9.7)	-	-
Northern Powergrid (Northeast) Ltd	102.9	2.9	-
Yorkshire Electricity Group plc	159.3	1.3	-
	<u>252.5</u>	<u>4.2</u>	<u>-</u>
<i>Six months ended 30 June 2018:</i>			
Immediate Parent Companies*	(9.6)	-	-
Northern Powergrid UK Holdings	264.2	9.2	-
Yorkshire Electricity Group plc	(10.0)	(0.7)	-
	<u>244.6</u>	<u>8.5</u>	<u>-</u>
<i>Year ended 31 December 2018:</i>			
Immediate Parent Companies*	(13.8)	-	-
Northern Powergrid UK Holdings	-	18.1	-
Northern Powergrid (Northeast) Ltd	100.0	0.3	-
Yorkshire Electricity Group plc	163.8	0.1	-
	<u>250.0</u>	<u>18.5</u>	<u>-</u>

* Immediate parent companies are BHE U.K. Electric, Inc., (35%), BHE U.K. Power, Inc. (35%) and BHE U.K. Inc. (30%).

Interest on loans to/from Group companies is charged at a commercial rate.

During the six months ended 30 June 2019 two directors (six months ended 30 June 2018: two, year ended 31 December 2018: two) utilised the services provided by Northern Transport Finance Limited, a subsidiary company.